DEPARTMENT OF ENVIRONMENT

RESOURCE PROTECTION AND DEVELOPMENT REVOLVING FUND

FINANCIAL STATEMENTS

For the Year Ended March 31, 2005

Provincial Auditor Saskatchewan

1500 Chateau Tower
1920 Broad Street
Regina, Saskatchewan
S4P 3V2

Phone: (306) 787-6398
Fax: (306) 787-6383
Web site: www.auditor.sk.ca
Internet E-mail: info@auditor.sk.ca

SASKATCHEWAN

AUDITOR'S REPORT

To the Members of the Legislative Assembly of Saskatchewan

I have audited the balance sheet of the Resource Protection and Development Revolving Fund as at March 31, 2005 and the statements of operations and accumulated operating surplus/(deficit), and changes in accumulated net expenditure/(recovery) for the year then ended. The Fund's management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at March 31, 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Regina, Saskatchewan
July 15, 2005

Fred Wendel, CMA, CA
Provincial Auditor

RESOURCE PROTECTION AND DEVELOPMENT REVOLVING FUND
BALANCE SHEET
As at March 31

	2005	2004
ASSETS		
Current assets		
Accounts receivable (Note 9)	$ 278,514	$ 135,865
Inventories (Note 11)	85,982	350,264
Prepaid expenses	49,316	49,059
	$ 413,812	$ 535,188
LIABILITIES AND FUND EQUITY		
Current liabilities		
Accounts payable (Note 9)	$ 69,112	$ 323,549
Unearned revenue (Note 5)	10,097	8,280
	79,209	331,829
Non-current liabilities		
Accumulated net (recovery) expenditure (Statement 3 and Note 9)	(21,734)	86,094
Fund equity		
Accumulated operating surplus (Statement 2)	356,337	117,265
	$ 413,812	$ 535,188

(See accompanying notes to the financial statements)

RESOURCE PROTECTION AND DEVELOPMENT REVOLVING FUND
STATEMENT OF OPERATIONS AND ACCUMULATED OPERATING SURPLUS/(DEFICIT)
For the Year Ended March 31

	2005		2004
	Budget (Note 8)	Actual	Actual
Revenues			
Radio communications	$ 1,737,000	$ 1,681,546	$ 1,767,749
Equipment rental and recoveries	—	—	299,583
Staff housing	170,000	99,780	186,205
Northern air operations	95,000	107,799	37,107
Land access registration	50,000	10,790	6,420
	2,052,000	1,899,915	2,297,064
Expenses			
Salaries and benefits	1,030,000	995,335	1,052,766
Contractual services	514,000	267,103	362,604
Amortization	—	—	428,628
Materials & supplies	446,000	348,002	180,728
Travel & sustenance	60,000	49,980	61,938
Communications	—	423	299
Other	2,000	—	6,141
	2,052,000	1,660,843	2,093,104
Net income (Notes 5 and 10)	$ -	239,072	203,960
Accumulated operating surplus (deficit), beginning of year		117,265	(86,695)
Accumulated operating surplus, end of year - to Statement 1		$ 356,337	$ 117,265

(See accompanying notes to the financial statements)

RESOURCE PROTECTION AND DEVELOPMENT REVOLVING FUND
STATEMENT OF CHANGES IN ACCUMULATED NET EXPENDITURE/(RECOVERY)
For the Year Ended March 31

	2005	2004
Financing (provided by)/required for operating activities:		
Net (profit)	$ (239,072)	$ (203,960)
Items not affecting working capital		
-amortization	—	(428,628)
-gain on disposal of capital assets	—	12,445
Net increase/(decrease) in working capital items related to operations (Note 6)	131,244	(231,631)
Net financing (provided by) operating activities	(107,828)	(851,774)
Financing (provided by)/required for investing activities:		
Purchase of capital assets	—	1,143,966
Proceeds from sale of capital assets	—	(18,845)
Net financing required for investing activities	—	1,125,121
Net (decrease)/increase in financing requirements	(107,828)	273,347
Accumulated net (recovery) expenditure, beginning of year	86,094	3,475,081
Transfer of capital assets (Note 12)	—	(3,662,334)
Accumulated net (recovery) expenditure, end of year - to Statement 1	$ (21,734)	$ 86,094

(See accompanying notes to the financial statements)

RESOURCE PROTECTION AND DEVELOPMENT REVOLVING FUND
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2005

1. Authority and Definition of Entity

The Revolving Fund operates under the authority of Section 19 of *The Natural Resources Act*. The purpose of the Revolving Fund is to provide resource protection and development services. The Department of Environment administers the Revolving Fund.

2. Significant Accounting Policies

The financial statements are prepared using Canadian generally accepted accounting principles. These financial statements do not present a cash flow statement because the required cash flow information is readily apparent from the Statement of Changes in Accumulated Net Expenditure/(Recovery) and Note 6. The following accounting policies are considered significant:

a) Net Financing Requirements

The net financing requirements is the cash flow from/(to) the General Revenue Fund. It represents the total annual financing requirements resulting from net capital acquisitions, working capital changes and net cash flows from operations.

b) Accumulated Net Expenditure/(Recovery)

The accumulated net expenditure/(recovery) of the Revolving Fund includes the following:

i) the net increase (decrease) in financing requirements for each fiscal year; and
ii) the book value of assets acquired at no charge from or transferred to another government agency.

c) Inventories

Inventories are valued at the lower of average cost and net realizable value. Inventories consist of radio components.

d) Revenue recognition

Revenue is recognized when services are rendered.

3. Authorized Financing

Subsection 19(9) of *The Natural Resources Act* specifies that the maximum accumulated net expenditure, which may be outstanding at any time, will be set by order of the Lieutenant Governor in Council. A maximum amount of $5,500,000 was established by Order in Council 515/94.

4. Accumulated Operating Surplus/(Deficit)

Treasury Board controls the operations of the Revolving Fund, in part by monitoring the amount of its accumulated operating surplus/(deficit). If the amount falls above or below the limit specified by Treasury Board, management is responsible to present a plan to address the excess surplus/(deficit) for approval by Treasury Board. Plans may include, but are not limited to,

payment of excess surpluses to, or requests for additional funding from, the General Revenue Fund. Treasury Board has specified $200,000 as the limit for the accumulated operating surplus/(deficit) of the Revolving Fund.

5. Segmented Information

	2005			2004
	Revenues	Expenses	Net Income	Net Income
Radio communications	$ 1,681,546	$ 1,513,626	$ 167,920	$ 105,323
Equipment rental	—	—	—	49,051
Staff housing	99,780	30,882	68,898	43,815
Northern air operations	107,799	105,545	2,254	5,771
Land access registration	10,790	10,790	—	—
	$ 1,899,915	$ 1,660,843	$ 239,072	$ 203,960

Treasury Board approved the addition of a segment to the Revolving Fund for the 2003-04 fiscal year. As per the Water Regulations, 2002, the Department is required to collect a land access registration fee from applicants who wish to request access to certain lands for waste and water work operations. The Department is responsible to register this interest with Information Services Corporation once the approval of the application is complete. Monies received in anticipation of approval of the application are recorded as unearned revenue.

6. Net Change in Working Capital Items Related to Operations

	2005	2004
Increase in accounts receivable	$ 142,649	$ 58,486
(Decrease) in inventories	(264,282)	(15,372)
Increase in prepaid expenses	257	363
Decrease/(increase) in accounts payable	254,437	(266,828)
(Increase) in unearned revenue	(1,817)	(8,280)
	$ 131,244	$ (231,631)

7. Related Party Transactions

These financial statements include transactions with related parties. The Revolving Fund is related to all Saskatchewan Crown agencies such as departments, corporations, boards and commissions under the common control of the Government of Saskatchewan. Also, the Revolving Fund is related to non-Crown enterprises that the Government jointly controls or significantly influences.

Routine operating transactions with related parties are recorded at agreed upon rates and settled on normal trade terms. Rates charged by the Revolving Fund for services are calculated to recover costs incurred.

These transactions, and amounts outstanding at year end, are as follows:

Category	2005	2004
Revenues:		
Radio communications	$ 1,665,741	$ 1,749,999
Equipment rental and recoveries	---	252,402
Staff Housing	---	60,829
Expenses:		
Contractual services	99,073	110,149
Materials & supplies	1,224	12,719
Travel & sustenance	33,009	37,893
Accounts receivable	46,838	114,696
Accounts payable	9,758	8,313

In addition, the Revolving Fund pays Provincial Sales tax to the Saskatchewan Department of Finance on all its taxable purchases. Taxes paid are recorded as part of the cost of those purchases.

The Revolving Fund currently utilizes 16 housing units for staff that are the property of the Saskatchewan Housing Corporation (SHC). The Revolving Fund has an agreement with SHC that outlines each party's responsibility with respect to the administration of these units. The Revolving Fund receives no rental income from these units. The Revolving Fund incurred $30,882 (2004 - $69,734) for the repairs and maintenance of these units.

As well, the Revolving Fund currently utilizes 12 housing units for staff that the Saskatchewan Property Management Corporation (SPMC) owns and 5 housing units for staff that the Department owns. The Revolving Fund receives rental income from these units, however both SPMC and the Department charge no rent from the Revolving Fund. All administration, repairs and maintenance of these housing units are the responsibility of the Revolving Fund.

Radio equipment owned by the Department is provided to the Fund at no cost. The Fund utilizes the radio equipment to provide services to the Department and other agencies for a rental fee. The Fund recorded radio communication revenue of $1,174,711 from renting radio equipment to the Department and servicing it.

Other transactions with related parties and amounts due to/from them are described separately in the financial statements and notes thereto.

In accordance with established government policy, the Revolving Fund has not been charged with certain costs including occupancy, financing, use of tangible capital assets and certain administrative costs. These costs have been absorbed by the various departmental appropriations and therefore no provision for such costs is reflected in these financial statements.

8. Budget

These amounts are included in the budget submitted to Treasury Board for approval. Treasury Board approves the Revolving Fund's budget annually.

9. Financial Instruments

The Revolving Fund's financial instruments include accounts receivable and accounts payable. Due to their immediate or short-term nature, the fair value of these instruments approximates their carrying value.

The fair value of the accumulated net expenditure has not been provided because it is not practicable to determine the fair value with sufficient reliability.

The Revolving Fund is exposed to minimal credit risk from the potential of non-payment of accounts receivable. Most receivables were received subsequent to year-end.

10. Amount Reported in Public Accounts

The net (expenditure)/recovery of the Revolving Fund reported in Public Accounts is the net income/(loss) of the Revolving Fund adjusted for the following differences in accounting policies and other adjustments between the Revolving Fund and the General Revenue Fund:

	2005	2004
Net income	$ 239,072	$ 203,960
Decrease in inventory-prior to transfer to Department	102,445	15,372
(Increase) in net capital assets	—	(708,938)
Amounts included/(not included) in Public Accounts due to timing	5,153	(5,067)
Net recovery/(expenditure) reported in Public Accounts	$ 346,670	$ (494,673)

11. Transfer of Inventories to Department

In March 2005 inventories of airplane parts were transferred to the Department of Environment. The inventories cost of $161,837 have been reduced to $nil and the accumulated net expenditure has been reduced by $161,837.

12. Capital Assets

In January 2004, Treasury Board approved the transfer of the Revolving Fund's capital assets to the Department of Environment. This transfer occurred on March 31, 2004 at net book value. The assets' cost of $8,802,782 and accumulated amortization of $5,140,448 were reduced to $nil and the accumulated net expenditure was reduced by the net book value of $3,662,334. The Department will now provide use of capital assets to the Revolving Fund at no cost.